

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**



**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

<b>BOARD OF EDUCATION AND ADMINISTRATION</b>	<b>1</b>
--	----------

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
-------------------------------------	----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
---	----------

**BASIC FINANCIAL STATEMENTS**

<b>STATEMENT OF NET POSITION</b>	<b>18</b>
----------------------------------	-----------

<b>STATEMENT OF ACTIVITIES</b>	<b>19</b>
--------------------------------	-----------

<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>21</b>
---	-----------

<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION</b>	<b>23</b>
---	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>24</b>
---	-----------

<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>26</b>
---	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>27</b>
--	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND</b>	<b>28</b>
---	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND</b>	<b>29</b>
--	-----------

<b>STATEMENT OF FIDUCIARY NET POSITION</b>	<b>30</b>
--	-----------

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b>	<b>30</b>
---	-----------

<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>31</b>
--	-----------



**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
TABLE OF CONTENTS**

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN</b>	<b>62</b>
---	-----------

<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>	<b>63</b>
--	-----------

<b>SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS</b>	<b>64</b>
---	-----------

**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>65</b>
---	-----------

<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>66</b>
--	-----------

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>67</b>
--	-----------

<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	<b>69</b>
--	-----------

<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>72</b>
---	-----------

<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>73</b>
--	-----------

<b>SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS</b>	<b>77</b>
---	-----------

<b>UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE</b>	<b>78</b>
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## **INTRODUCTORY SECTION**

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**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
BOARD OF EDUCATION AND ADMINISTRATION  
FISCAL YEAR 2014 – 2015**

**BOARD OF EDUCATION**

	<u>Term on Board Expires December 31,</u>	<u>Position on Board During 2014-2015</u>
Jason Engbrecht	2016	Chair
Thomas Casper	2017	Vice Chair
Yvette Marthaler	2016	Treasurer
Richard Olson	2017	Clerk
Jerry Robicheau	2016	Director
Andrea Vogelsberg	2017	Director
Chad Wolff	2017	Director

**ADMINISTRATION**

Todd Sesker	Superintendent
Colleen Mertesdorf	Director of Finance and Operations

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 656  
Faribault, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the district's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656 as of June 30, 2015, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund, Food Service Fund, Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During fiscal year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinion was not modified with respect to the restatement.

### ***Report on Summarized Comparative Information***

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 656 as of and for the year ended June 30, 2014, and we expressed unmodified opinions on those audited financial statements in our report dated October 7, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for postemployment benefit plan, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

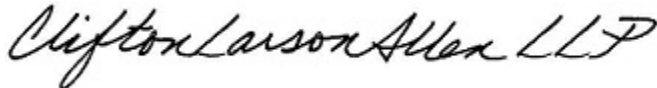
#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 656's basic financial statements. The uniform financial accounting and reporting standards compliance table, as required by Minnesota Department of Education is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of Independent School District No. 656's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 656's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 13, 2015

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

This section of Independent School District No. 656's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this letter.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2014-15 fiscal year include the following:

- Student enrollment – student enrollment increased from the previous year, going from 3,793 in 2013-14 to 3,846 in 2014-15.
- The General Fund Unassigned Fund Balance decreased, going from \$8,254,263 at the end of 2013-14 to \$7,455,757 at the end of 2014-15.
- The District entered into lease purchase financing to finance the construction of the Faribault Education Center addition to the High School, the District Office and Conference Center addition to the Middle School. This is reflected by the \$3,424,134 increase to the Building Construction fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts: Independent Auditors' Report, Required Supplementary Information which includes MD&A (this section), the basic financial statements, Single Audit and other required reports.

The basic financial statements include several statements that present different views of the District:

The **government-wide financial statements**, including the *Statement of Net Position* and the *Statement of Activities*, provide both short-term and long-term information about the District's overall financial status. The government-wide statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, additional consideration should be given to non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District maintains two groups of fund financial statements. They are:

- ***Governmental funds statements*** tell how basic services were financed in the short term as well as what remains for future spending. The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that determines whether there are more or less financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statement that explains the relationship (or differences) between these two types of financial statement presentations.
- ***Fiduciary funds statements*** provide information about the financial relationships in which the District acts only as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net position.** The District's combined net position was \$20.6 million on June 30, 2015. This represents a decrease of 53.41% from the prior year. (See Figure A-1 below). The decrease was due to the implementation of GASB No. 68 related to pension liability reporting. See Note 1 of the financial statements for more information.

**Figure A-1  
Independent School District No. 656  
Net Position – Governmental Activities  
As of June 30, 2015 and 2014**

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Current and Other Assets	\$ 30,186,527	\$ 27,709,450	8.94%
Capital and Non-Current Assets	56,787,652	56,378,158	0.73%
<b>Total Assets</b>	<b>86,974,179</b>	<b>84,087,608</b>	<b>3.43%</b>
<b>Deferred Outflows of Resources</b>	4,239,305	-	N/A
Current Liabilities	8,449,032	9,185,233	-8.02%
Long Term Liabilities	46,334,314	20,370,024	127.46%
<b>Total Liabilities</b>	<b>54,783,346</b>	<b>29,555,257</b>	<b>85.36%</b>
<b>Deferred Inflows of Resources</b>	15,797,509	10,248,735	54.14%
Net Position			
Net Investment in Capital Assets	35,056,211	34,029,327	3.02%
Restricted	4,069,339	2,313,116	75.92%
Unrestricted	(18,492,921)	7,941,173	-332.87%
<b>Total Net Position</b>	<b>\$ 20,632,629</b>	<b>\$ 44,283,616</b>	<b>-53.41%</b>

**Changes in net position.** The District's total revenues were \$57.1 million and total expenses were \$52.6 million for the year ended June 30, 2015. (See Figure A-2 on the next page.) Unrestricted state aid and property taxes accounted for 63% of the total revenue for the year. Operating and capital grants and charges for services contributed 37%. (See Figure A-3 on page 9.) Student support services and instruction-related expenses accounted for 79% of the District's expenses. The District's administrative activities accounted for 3% of total costs. (See Figure A-4 on page 9.) Total revenues surpassed expenditures, increasing net position by \$4,531,421. The District had a prior period adjustment related to the implementation of GASB No. 68, as referenced above, of -\$28,182,408.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

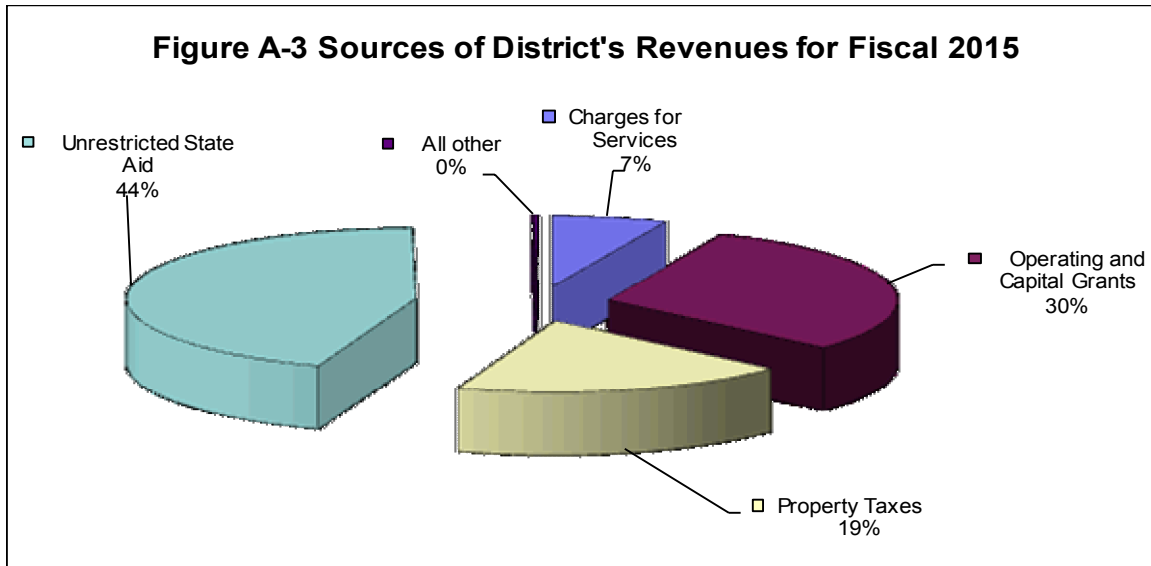
**Figure A-2  
Independent School District No. 656  
Change in Net Position  
For the Years Ended June 30, 2015 and 2014**

	<b>Governmental Activities for the fiscal year ended June 30,</b>		<b>Total % Change</b>
	<b>2015</b>	<b>2014</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 3,651,610	\$ 3,508,937	4.07%
Operating Grants and Contributions	16,693,012	16,636,985	0.34%
Capital Grants and Contributions	591,215	478,047	23.67%
<u>General Revenues</u>			
Property Taxes	10,734,227	7,788,146	37.83%
Unrestricted State Aid	25,317,536	24,386,768	3.82%
Investment Earnings	7,529	5,470	37.64%
Other	119,256	89,700	32.95%
Total Revenues	57,114,385	52,894,053	<b>7.98%</b>
<b>Expenses</b>			
Administration	1,735,400	1,757,905	-1.28%
District Support Services	1,287,629	2,004,280	-35.76%
Regular Instruction	21,624,199	19,665,438	9.96%
Vocational Education Instruction	346,356	344,150	0.64%
Special Education Instruction	10,156,485	9,970,029	1.87%
Instructional Support Services	4,388,521	2,743,832	59.94%
Pupil Support Services	3,956,813	3,676,505	7.62%
Sites and Buildings	4,482,619	4,486,283	-0.08%
Fiscal and Other Fixed Cost Programs	149,490	142,996	4.54%
Food Service	2,168,608	2,015,649	7.59%
Community Service	1,629,144	1,861,379	-12.48%
Interest and Fiscal Charges on Long-Term Liabilities	657,700	901,119	-27.01%
Total Expenses	52,582,964	49,569,565	<b>6.08%</b>
<b>Increase in Net Position</b>	4,531,421	3,324,488	36.30%
Beginning Net Position, As Previously Stated	44,283,616	40,959,128	8.12%
Prior Period Adjustment	(28,182,408)	-	
Beginning Net Position, As Restated	16,101,208	40,959,128	
Ending Net Position	\$ 20,632,629	\$ 44,283,616	<b>-53.41%</b>

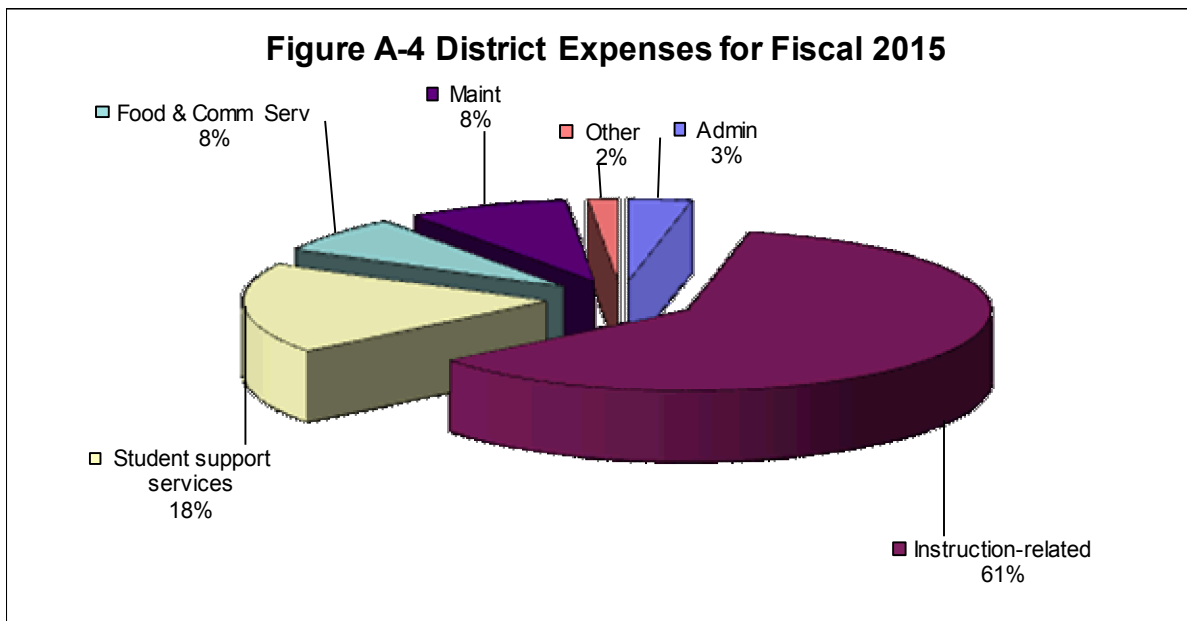
**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Figure A-3  
Independent School District No. 656  
Sources of Revenues  
For Fiscal Year 2015**



**Figure A-4  
Independent School District No. 656  
Expenses  
For Fiscal Year 2015**



**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Governmental Activities**

Figure A-5, seen below, presents the cost of twelve major District activities such as instruction, pupil and instructional services, administration, maintenance and operations, transportation, and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The cost of all governmental activities this year was \$52.6 million. The net cost of all governmental activities this year was \$31.6 million.
- The users of the District's programs financed \$3.7 million of the cost of activities through various charges for services.
- The federal and state governments subsidized certain programs with grants and contributions of \$17.3 million.
- District property taxpayers financed \$10.7 million of governmental activities and state taxpayers financed \$25.3 million of unrestricted state aid based on the statewide education aid formula.

**Figure A-5  
Independent School District No. 656  
Net Cost of Governmental Activities  
For the Years Ended June 30, 2015 and 2014**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2014		2015	2014	
Administration	\$ 1,735,400	\$ 1,757,905	-1.28%	\$ 1,735,400	\$ 1,757,905	-1.28%
District Support Services	1,287,629	2,004,280	-35.76%	1,278,119	1,935,446	-33.96%
Regular Instruction	21,624,199	19,665,438	9.96%	12,822,260	11,331,350	13.16%
Vocational Education Instruction	346,356	344,150	0.64%	338,831	330,083	2.65%
Special Education Instruction	10,156,485	9,970,029	1.87%	2,849,697	2,479,538	14.93%
Instructional Support Services	4,388,521	2,743,832	59.94%	3,972,291	2,416,079	64.41%
Pupil Support Services	3,956,813	3,676,505	7.62%	3,762,006	3,501,161	7.45%
Sites and Buildings	4,482,619	4,486,283	-0.08%	3,856,955	3,991,152	-3.36%
Fiscal and Other Fixed Cost Programs	149,490	142,996	4.54%	149,490	142,996	4.54%
Food Service	2,168,608	2,015,649	7.59%	29,011	(3,284)	-983.40%
Community Service	1,629,144	1,861,379	-12.48%	195,367	162,051	20.56%
Interest and Fiscal Charges on Long-Term Liabilities	657,700	901,119	-27.01%	657,700	901,119	-27.01%
<b>Total</b>	<b>\$ 52,582,964</b>	<b>\$ 49,569,565</b>	<b>6.08%</b>	<b>\$ 31,647,127</b>	<b>\$ 28,945,596</b>	<b>9.33%</b>



**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds. The General Fund, Food Service Fund, Community Service Fund, Capital Projects – Building Construction Fund and Debt Service Fund revenues exceeded expenditures thereby increasing the fund balance in those funds.

The General Fund increased due to the fact that revenues were more than what was budgeted, which was offset by expenditures being more than what was budgeted. A more detailed analysis will follow this general section.

The Food Service Fund saw a slight increase of approximately \$4,900. The increase in the Food Service fund Balance during 2014-15 was due to the fact that revenues and transfers came in over expenses.

The restricted fund balances for Community Education Programs, Early Childhood/Family Education, School Readiness, Adult Basic Education and Restricted for Other Purposes all saw increases in their fund balances. All programs will need to be closely monitored to maintain a continued balanced budget.

The Capital Projects – Building Construction Fund increased due to proceeds received from lease purchase financing for construction related to the Faribault Education Center addition at the High School and the District Office and Convention Center addition at the Middle School.

The Debt Service Fund increased approximately \$35,000 due to an excess of revenues over expenditures.

At the end of the 2014-15 fiscal year, the District's governmental funds reported combined fund balances of \$17,029,240. This is a 33% increase from the prior year, due to revenues and other financing sources exceeding expenditures and other financing uses in all funds.

Revenues for the District's governmental funds were \$57,077,481 and other financing sources were \$5,230,390. Total expenditures were \$58,012,173 and other financing uses were \$20,954. This results in a fund balance increase of \$4,274,744.

**General Fund**

The General Fund is used to account for all revenues and expenditures of the school district not accounted for elsewhere. The General Fund is used to account for: K-12 educational activities; District instructional and student support programs; expenditures for the superintendent; District administration; normal operations and maintenance; pupil transportation; capital expenditures; and legal District expenditures not specifically designated to be accounted for in any other fund.

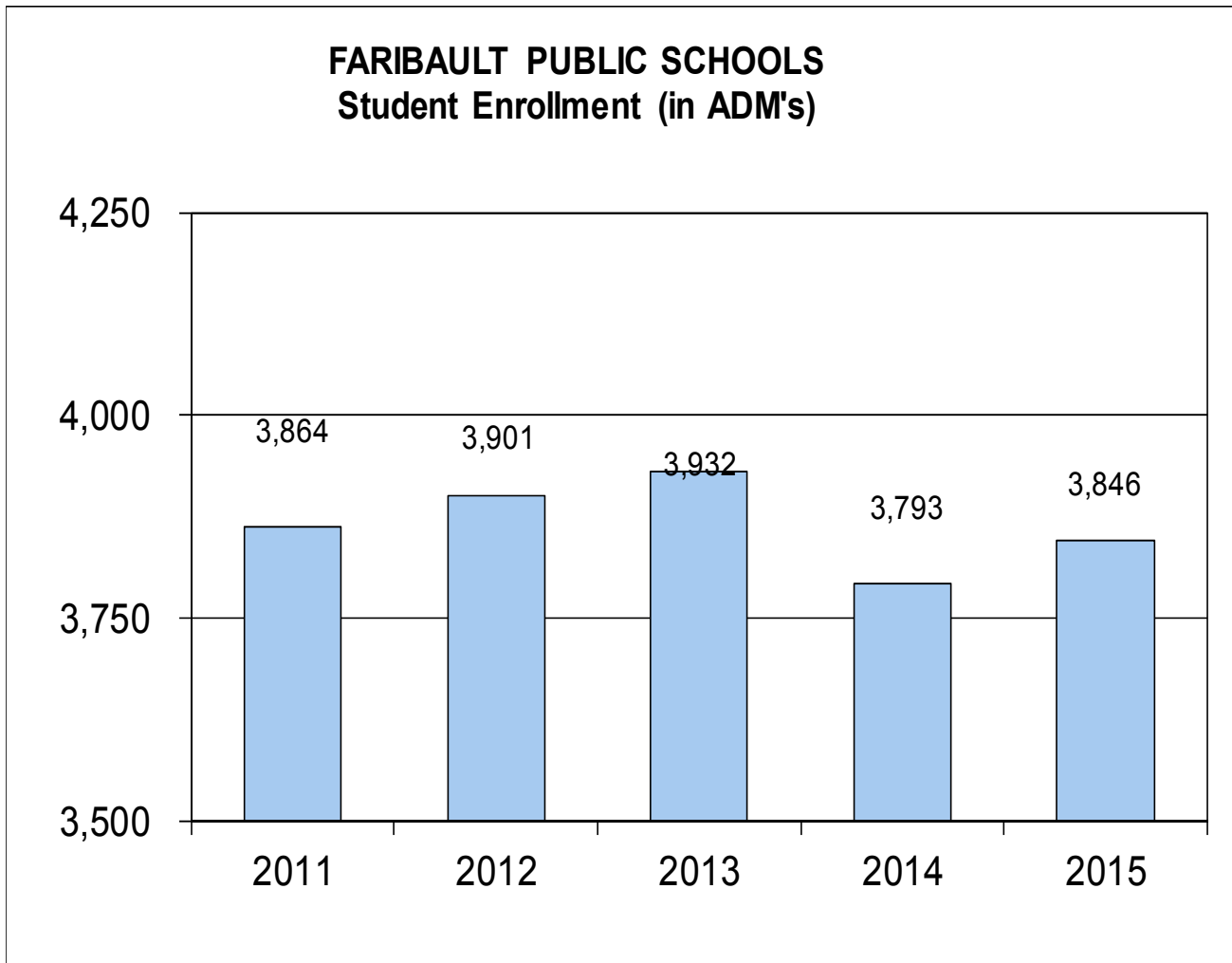
**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

**Enrollment**

Funding for Minnesota school districts is largely driven by enrollment. As seen in Figure A-6 below, there was an enrollment increase for the year of 53 students from the prior year.

**Figure A-6  
Independent School District No. 656  
Student Average Daily Membership**



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

**General Fund**

A summary of General Fund revenues and expenditures is shown in Figure A-7 below.

**Figure A-7  
Independent School District No. 656  
Summary of General Fund Revenues and Expenditures  
For the Years Ended June 30, 2015 and 2014**

<u>Description</u>	<u>Year Ended</u>		<u>Change</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
<b>Revenues:</b>				
Local Sources				
Property Taxes	\$ 5,577,890	\$ 2,423,886	\$ 3,154,004	130.1%
Earnings on Investments	5,435	3,811	1,624	42.6%
Other	2,444,396	2,200,944	243,452	11.1%
State Sources	38,285,542	36,859,552	1,425,990	3.9%
Federal Sources	1,979,504	2,059,454	(79,950)	-3.9%
Total General Fund Revenue	<u>\$ 48,292,767</u>	<u>\$ 43,547,647</u>	<u>\$ 4,745,120</u>	10.9%
	<u>Year Ended</u>		<u>Amount of</u>	<u>Percent</u>
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
<b>Expenditures:</b>				
Salaries	\$ 26,591,439	\$ 24,189,360	\$ 2,402,079	9.9%
Employee Benefits	10,401,695	8,903,782	1,497,913	16.8%
Purchased Services	6,162,146	5,802,064	360,082	6.2%
Supplies and Materials	1,918,840	2,281,533	(362,693)	-15.9%
Capital Expenditures	3,706,810	1,225,361	2,481,449	202.5%
Other Expenditures	151,242	46,080	105,162	228.2%
Total Expenditures	<u>\$ 48,932,172</u>	<u>\$ 42,448,180</u>	<u>\$ 6,483,992</u>	15.3%

**Revenues**

Fiscal year 2014-15 saw an increase in enrollment of 53 students. The formula allowance was at \$5,831 per adjusted marginal cost pupil unit for the 2014-15 year. Revenues totaled \$48,292,767 or an increase of \$4,745,120 over 2013-14. The 10.9% revenue increase is due to the passage of a voter-approved operating levy in the Fall of 2013 and an increase in general education revenue.

**Expenditures**

Expenditures totaled \$48,932,172 – an increase of \$6,483,992 over 2013-14. With the passage of the operating levy, programs were restored and new programs were added, thereby increasing expenditures. There were also increases due to increased costs of labor contracts, purchased services and capital outlay, while supplies saw a decrease in the General Fund for 2014-15.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

**General Fund (Continued)**

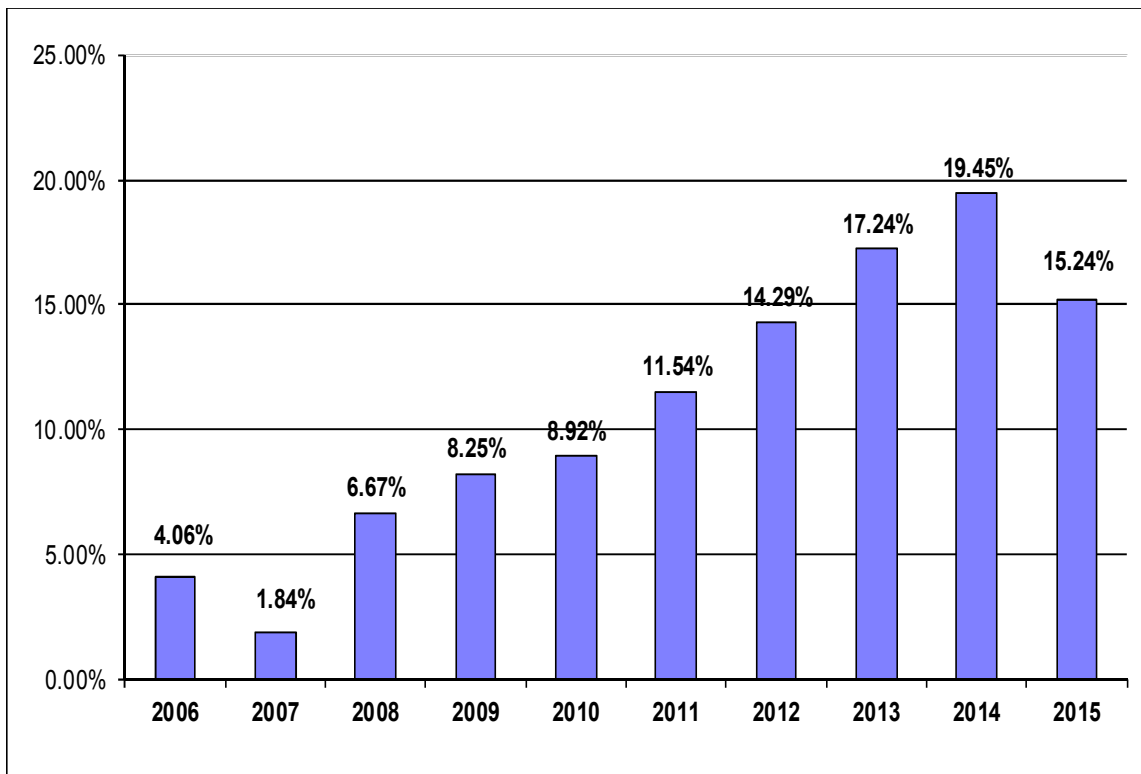
**Fund Balance**

The unassigned fund balance is \$7,455,757, committed fund balance for postemployment benefits is \$2,451,000, nonspendable fund balance is \$1,133,999 and the restricted fund balances for staff development, gifted and talented, health and safety, teacher growth and development and operating capital total \$449,558.

The graph in Figure A-8, below, depicts the General Fund unassigned fund balance as a percentage of total expenditures for the 10 fiscal years ending June 30, 2006–2015. The District's unassigned fund balance offers the single best measure of the District's overall financial health. The unassigned fund balance on June 30, 2015 represents 15.24% of annual expenditures.

The District closely monitors the General Fund unassigned fund balance through the use of financial software spending controls, a detailed financial planning model, up to two budget revisions during the year, and monthly budget analysis. The Board of Education has adopted a fund balance policy to maintain a fund balance in the unassigned General Fund of not less than 9.5% of the annual operating budget for that fund.

**Figure A-8  
Independent School District No. 656  
General Fund Unassigned Fund Balance as a Percentage of Total Expenditures**



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)**

**BUDGETARY HIGHLIGHTS**

The District revised the annual operating budget from the preliminary budget approved in June 2014 to the final budget approved in June of 2015.

**General Fund**

The District's final budget for the general fund anticipated that revenues would exceed expenditures and other financing sources by \$820,867. The actual results for the year show revenues and other financing sources exceeding expenditures by \$644,877.

- Actual revenues were \$513,165 above budget, with most of the difference in state general education aid and special education aid.
- Actual expenditures were \$1,993,437 over budget with salaries, benefits, and purchased services all over budget.

**Food Service Fund**

The Food Service Fund revenues and transfers for 2014-15 were \$2.2 million and expenditures were \$2.2 million. The June 30, 2015 fund balance is \$438,246, an increase of \$4,878 from fiscal year 2014. The District contracts with Sodexo for management of the District food service program. Sodexo continues to provide exemplary management services.

**Community Service Fund**

The Community Service Fund revenues for 2014-15 totaled \$1.8 million and expenditures were \$1.7 million. The June 30, 2015 fund balance is \$609,318, an increase of \$166,152 from fiscal year 2014. The individual restricted accounts of Community Education, Early Childhood/Family Education, School Readiness, Adult Basic Education and Restricted for Other Purposes increased during the year.

**Debt Service Fund**

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital, or for initial or refunding bonds. The Debt Service Fund revenues for 2014-15 totaled \$4.8 million and expenditures were \$4.8 million. The June 30, 2015 fund balance is \$1,067,228, an increase of \$34,703 from fiscal year 2014. Every year the Minnesota Department of Education calculates Debt Service excess fund balance amounts and uses those amounts to reduce future levies.

**Capital Projects Fund**

The Capital Projects Fund is used to account for revenues and expenditures for a school district's long term capital projects. As mentioned earlier, the activity in the fund relates to construction at the High School and Middle School. The revenues and capital lease proceeds for 2014-15 were \$3.9 million. Expenditures totaled \$480,000 for fiscal year 2015.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2015, the District had invested \$56,787,652 in a broad range of capital assets, including school buildings, computer equipment, audio-visual equipment, and other equipment for various instructional programs. (See Figure A-9 below.) Accumulated depreciation totaled \$35,742,025 as of June 30, 2015. More detailed information about capital assets can be found in Note 4 of the financial statements.

**Figure A-9  
Independent School District No. 656  
Capital Assets  
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Land	\$ 1,913,554	\$ 1,835,754	4.2%
Construction in Progress	480,085	89,826	434.5%
Land Improvements	6,918,984	6,519,168	6.1%
Buildings and Improvements	77,138,354	76,576,443	0.7%
Equipment	6,078,700	4,793,563	26.8%
Less: Accumulated Depreciation	<u>(35,742,025)</u>	<u>(33,436,596)</u>	6.9%
<b>Total</b>	<b><u>\$ 56,787,652</u></b>	<b><u>\$ 56,378,158</u></b>	0.7%

**Long-Term Liabilities**

For the fiscal year ended June 30, 2015, the District had \$18.2 million in general obligation bonds outstanding. (See Figure A-10 below.) The District also had \$2.2 million in health benefits, separation and severance payable as of June 30, 2015. In 2014-15, the District's total outstanding long-term liabilities decreased by 99.9% due to the implementation of GASB No. 68, as referenced earlier. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements. More information about GASB No. 68 can be found in Note 1 and Note 7 of the financial statements.

**Figure A-10  
Independent School District No. 656  
Outstanding Long-Term Liabilities  
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 18,230,000	\$ 22,295,000	-18.2%
Net Bond Premium and Discount	(22,381)	29,864	-174.9%
Lease Purchase Payable	3,904,200	-	N/A
Obligations Under Capital Leases	1,443,282	215,640	569.3%
Retirement Benefits Payable	23,638,470	-	N/A
Other Postemployment Benefits Payable	1,252,864	947,537	32.2%
Compensated Absences Payable	897,290	1,198,978	-25.2%
<b>Total</b>	<b><u>\$ 49,343,725</u></b>	<b><u>\$ 24,687,019</u></b>	99.9%
Long-Term Liabilities:			
Due Within One Year	\$ 3,009,411	\$ 4,316,995	
Due in More Than One Year	46,334,314	20,370,024	
	<b><u>\$ 49,343,725</u></b>	<b><u>\$ 24,687,019</u></b>	

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of a voter approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The most recent legislative session did offer some minimal financial increases. However, in the most recent prior years, legislative revenue increases have been minimal or non-existent and have not been sufficient to meet our instructional needs and increased costs due to inflation. In the fall of 2013, the voters of our District approved an annual operating levy in the amount of approximately \$2,544,000 per year for a period of 10 years with an inflation factor change each year. This revenue began in the 2014-2015 school year and allowed us to restore cuts made in previous years, enhance our current educational experience and propel our students into the future.

Enrollments will be closely monitored and projections will be done using several models. Faribault Public Schools may see a decline in the numbers of students served. Declining enrollments significantly impact our state and federal revenue streams. If we anticipate declining enrollments, budget adjustments may need to be made to reflect the decreased revenue and to maintain a balanced budget.

The District will continue to seek all available sources of funding, balance revenues to expenditures, and maintain systems that ensure financial accountability and financial stability. With careful planning, regular monitoring and thoughtful adjusting, our good financial health can be maintained well into the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Colleen Mertesdorf, Director of Finance and Operations, at the ISD 656 District Office, 2800 1st Avenue NW, Suite 1, P.O. Box 618, Faribault, MN 55021, [cmertesdorf@faribault.k12.mn.us](mailto:cmertesdorf@faribault.k12.mn.us) or visit the District's website at [www.faribault.k12.mn.us](http://www.faribault.k12.mn.us).

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## **BASIC FINANCIAL STATEMENTS**

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**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF NET POSITION  
JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and Investments	\$ 18,300,252	\$ 17,636,961
Cash and Investments Held by Trustee	1,842,200	-
Receivables		
Property Taxes	4,088,578	5,195,633
Other Governments	4,776,279	4,478,950
Other	40,871	68,131
Prepaid Items	1,078,966	270,525
Inventories	59,381	59,250
Capital Assets		
Land and Construction in Progress	2,393,639	1,925,580
Other Capital Assets, Net of Depreciation	54,394,013	54,452,578
Total Assets	<u>86,974,179</u>	<u>84,087,608</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	4,239,305	-
Total Deferred Outflows of Resources	<u>4,239,305</u>	<u>-</u>
<b>LIABILITIES</b>		
Salaries and Wages Payable	4,082,011	3,704,395
Accounts and Contracts Payable	822,117	653,450
Accrued Interest	242,672	248,343
Due to Other Governmental Units	116,591	119,530
Unearned Revenue	176,230	142,520
Long-Term Liabilities		
Portion Due Within One Year	3,009,411	4,316,995
Portion Due in More Than One Year	46,334,314	20,370,024
Total Liabilities	<u>54,783,346</u>	<u>29,555,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	7,818,859	10,224,768
Gain on Bond Refunding	18,540	23,967
Pension Related	7,960,110	-
Total Deferred Inflows of Resources	<u>15,797,509</u>	<u>10,248,735</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	35,056,211	34,029,327
Restricted for:		
Operating Capital Purposes	433,655	444,878
State-Mandated Reserves	103,627	140,585
Food Service	438,246	433,368
Community Service	614,629	447,587
Debt Service	897,248	846,698
Capital Projects - Building Construction	1,581,934	-
Unrestricted	(18,492,921)	7,941,173
Total Net Position	<u>\$ 20,632,629</u>	<u>\$ 44,283,616</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	2015		
Functions	Expenses	Charges for Services	Program Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 1,735,400	\$ -	\$ -
District Support Services	1,287,629	130	-
Regular Instruction	21,624,199	345,965	8,277,677
Vocational Education Instruction	346,356	26	7,499
Special Education Instruction	10,156,485	1,570,913	5,735,875
Instructional Support Services	4,388,521	21,825	340,506
Pupil Support Services	3,956,813	9,183	185,624
Sites and Buildings	4,482,619	267,308	8,717
Fiscal and Other Fixed Cost Programs	149,490	-	-
Food Service	2,168,608	509,797	1,629,800
Community Service	1,629,144	926,463	507,314
Interest and Fiscal Charges on Long-Term Liabilities	657,700	-	-
Total School District	\$ 52,582,964	\$ 3,651,610	\$ 16,693,012

**General Revenues**

Property Taxes Levied for:  
     General Purposes  
     Community Service  
     Debt Service  
 State Aid Not Restricted to Specific Purposes  
 Earnings on Investments  
 Miscellaneous  
     Total General Revenues  
     Change in Net Position  
 Net Position - Beginning of Year, As Previously Stated  
 Prior Period Adjustment  
 Net Position - Beginning of Year, Restated  
  
 Net Position - Ending

See accompanying Notes to Basic Financial Statements.

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Capital</b>	<b>Total</b>	<b>Total</b>
<b>Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Governmental Activities</b>
\$ -	\$ (1,735,400)	\$ (1,757,905)
9,380	(1,278,119)	(1,935,446)
178,297	(12,822,260)	(11,331,350)
-	(338,831)	(330,083)
-	(2,849,697)	(2,479,538)
53,899	(3,972,291)	(2,416,079)
-	(3,762,006)	(3,501,161)
349,639	(3,856,955)	(3,991,152)
-	(149,490)	(142,996)
-	(29,011)	3,284
-	(195,367)	(162,051)
-	(657,700)	(901,119)
<u>\$ 591,215</u>	<u>(31,647,127)</u>	<u>(28,945,596)</u>
	5,598,012	2,424,496
	355,753	187,792
	4,780,462	5,175,858
	25,317,536	24,386,768
	7,529	5,470
	119,256	89,700
	<u>36,178,548</u>	<u>32,270,084</u>
	4,531,421	3,324,488
	44,283,616	40,959,128
	<u>(28,182,408)</u>	<u>-</u>
	<u>16,101,208</u>	<u>40,959,128</u>
	<u>\$ 20,632,629</u>	<u>\$ 44,283,616</u>

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 12,993,402	\$ 486,949	\$ 750,691
Cash and Investments Held by Trustee	-	-	-
Receivables			
Current Property Taxes	2,516,131	-	169,048
Delinquent Property Taxes	63,476	-	5,311
Due from Other Minnesota School Districts	150,418	-	158,162
Due from Minnesota Department of Education	3,553,927	13,523	15,225
Due from Federal through Minnesota Department of Education	807,013	52,433	20,608
Other Receivables	27,190	-	13,681
Prepaid Items	1,074,618	3,307	1,041
Inventory	59,381	-	-
Total Assets	<u>\$ 21,245,556</u>	<u>\$ 556,212</u>	<u>\$ 1,133,767</u>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Liabilities			
Salaries and Wages Payable	\$ 1,790,515	\$ 628	\$ 87,817
Payroll Deductions and Employer Contributions Payable	2,203,051	-	-
Accounts and Contracts Payable	624,024	77,872	47,020
Due to Other Governmental Units	116,591	-	-
Unearned Revenue	102,394	39,466	34,370
Total Liabilities	<u>4,836,575</u>	<u>117,966</u>	<u>169,207</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	4,855,191	-	349,931
Unavailable Revenue - Delinquent Property Taxes	63,476	-	5,311
Total Deferred Inflows of Resources	<u>4,918,667</u>	<u>-</u>	<u>355,242</u>
Fund Balance			
Nonspendable			
Prepays Items	1,074,618	3,307	1,041
Inventory	59,381	-	-
Restricted for			
Staff Development	100,999	-	-
Gifted and Talented	-	-	-
Health and Safety	(87,724)	-	-
Operating Capital	433,655	-	-
Teacher Development	2,628	-	-
Community Education Programs	-	-	275,693
Early Childhood and Family Education Programs	-	-	44,225
School Readiness	-	-	168,802
Adult Basic Education	-	-	118,949
Building Projects - COP	-	-	-
Other Purposes	-	434,939	608
Committed	2,451,000	-	-
Unassigned	7,455,757	-	-
Total Fund Balance	<u>11,490,314</u>	<u>438,246</u>	<u>609,318</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 21,245,556</u>	<u>\$ 556,212</u>	<u>\$ 1,133,767</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2015	2014
\$ 1,655,135	\$ 2,414,075	\$ 18,300,252	\$ 17,636,961
1,842,200	-	1,842,200	-
-	1,261,920	3,947,099	5,085,342
-	72,692	141,479	110,291
-	-	308,580	211,663
-	4,970	3,587,645	3,266,993
-	-	880,054	1,000,294
-	-	40,871	68,131
-	-	1,078,966	270,525
-	-	59,381	59,250
<u>\$ 3,497,335</u>	<u>\$ 3,753,657</u>	<u>\$ 30,186,527</u>	<u>\$ 27,709,450</u>
\$ -	\$ -	\$ 1,878,960	\$ 1,728,775
-	-	2,203,051	1,975,620
73,201	-	822,117	653,450
-	-	116,591	119,530
-	-	176,230	142,520
<u>73,201</u>	<u>-</u>	<u>5,196,949</u>	<u>4,619,895</u>
-	2,613,737	7,818,859	10,224,768
-	72,692	141,479	110,291
<u>-</u>	<u>2,686,429</u>	<u>7,960,338</u>	<u>10,335,059</u>
-	-	1,078,966	270,525
-	-	59,381	59,250
-	-	100,999	119,384
-	-	-	21,201
-	-	(87,724)	(270,716)
-	-	433,655	444,878
-	-	2,628	-
-	-	275,693	235,917
-	-	44,225	20,129
-	-	168,802	84,193
-	-	118,949	105,409
1,841,409	-	1,841,409	-
1,582,725	1,067,228	3,085,500	1,462,586
-	-	2,451,000	1,951,000
-	-	7,455,757	8,250,740
<u>3,424,134</u>	<u>1,067,228</u>	<u>17,029,240</u>	<u>12,754,496</u>
<u>\$ 3,497,335</u>	<u>\$ 3,753,657</u>	<u>\$ 30,186,527</u>	<u>\$ 27,709,450</u>

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**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	<b>2015</b>	<b>2014</b>
<b>Total Fund Balance for Governmental Funds</b>	\$ 17,029,240	\$ 12,754,496
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	1,913,554	1,835,754
Construction in Progress	480,085	89,826
Land Improvements, Net of Accumulated Depreciation	4,590,900	4,477,082
Buildings and Improvements, Net of Accumulated Depreciation	47,592,838	48,810,391
Equipment, Net of Accumulated Depreciation	2,210,275	1,165,105
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	141,479	110,291
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(242,672)	(248,343)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Net Pension Liability	(23,638,470)	-
Deferred Outflows of Resources - Pensions	4,239,305	-
Deferred Inflows of Resources - Pensions	(7,960,110)	-
Bonds Payable	(18,230,000)	(22,295,000)
Unamortized Premiums and Discounts	22,381	(29,864)
Lease Purchase Payable	(3,904,200)	-
Obligations Under Capital Leases	(1,443,282)	(215,640)
Unamortized Deferred Gain on Refunding	(18,540)	(23,967)
Compensated Absences Payable	(897,290)	(1,198,978)
Other Postemployment Benefits Payable	(1,252,864)	(947,537)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 20,632,629</b>	<b>\$ 44,283,616</b>

See accompanying Notes to Basic Financial Statements

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	<b>Major</b>		
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 5,577,890	\$ -	\$ 354,863
Earnings on Investments	5,435	253	234
Other	2,444,396	510,038	1,008,932
State Sources	38,285,542	126,997	421,521
Federal Sources	1,979,504	1,502,562	38,549
Total Revenues	<u>48,292,767</u>	<u>2,139,850</u>	<u>1,824,099</u>
<b>EXPENDITURES</b>			
Current			
Administration	1,764,923	-	-
District Support Services	1,292,585	-	-
Regular Instruction	19,521,664	-	-
Vocational Education Instruction	350,824	-	-
Special Education Instruction	10,291,785	-	-
Instructional Support Services	3,801,175	-	-
Pupil Support Services	3,970,588	-	-
Sites and Buildings	4,081,241	-	-
Fiscal and Other Fixed Cost Programs	150,577	-	-
Food Service	-	2,061,745	-
Community Service	-	-	1,631,012
Capital Outlay	3,706,810	94,181	26,935
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>48,932,172</u>	<u>2,155,926</u>	<u>1,657,947</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(639,405)	(16,076)	166,152
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Lease Proceeds	1,299,520	-	-
Insurance Recovery Proceeds	5,516	-	-
Judgments for Districts	200	-	-
Transfers In	-	20,954	-
Transfers Out	(20,954)	-	-
Total Other Financing Sources (Uses)	<u>1,284,282</u>	<u>20,954</u>	<u>-</u>
Net Change in Fund Balances	644,877	4,878	166,152
Fund Balances - Beginning	<u>10,845,437</u>	<u>433,368</u>	<u>443,166</u>
Fund Balances - Ending	<u>\$ 11,490,314</u>	<u>\$ 438,246</u>	<u>\$ 609,318</u>

See accompanying Notes to Basic Financial Statements

<b>Funds</b>		<b>Total Governmental Funds</b>	
<b>Capital Projects - Building Construction</b>	<b>Debt Service</b>	<b>2015</b>	<b>2014</b>
\$ -	\$ 4,770,286	\$ 10,703,039	\$ 7,787,398
19	1,588	7,529	5,470
-	-	3,963,366	3,826,918
-	48,872	38,882,932	37,570,765
-	-	3,520,615	3,691,864
<u>19</u>	<u>4,820,746</u>	<u>57,077,481</u>	<u>52,882,415</u>
-	-	1,764,923	1,734,967
-	-	1,292,585	1,520,944
-	-	19,521,664	17,217,742
-	-	350,824	332,679
-	-	10,291,785	9,793,975
-	-	3,801,175	2,708,604
-	-	3,970,588	3,731,168
-	-	4,081,241	4,039,744
-	-	150,577	142,996
-	-	2,061,745	1,976,298
-	-	1,631,012	1,797,256
480,085	-	4,308,011	1,339,082
-	4,065,000	4,065,000	4,275,000
-	721,043	721,043	834,774
<u>480,085</u>	<u>4,786,043</u>	<u>58,012,173</u>	<u>51,445,229</u>
(480,066)	34,703	(934,692)	1,437,186
3,904,200	-	5,203,720	215,640
-	-	5,516	10,890
-	-	200	-
-	-	20,954	-
-	-	(20,954)	-
<u>3,904,200</u>	<u>-</u>	<u>5,209,436</u>	<u>226,530</u>
3,424,134	34,703	4,274,744	1,663,716
-	1,032,525	12,754,496	11,090,780
<u>\$ 3,424,134</u>	<u>\$ 1,067,228</u>	<u>\$ 17,029,240</u>	<u>\$ 12,754,496</u>

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	<b>2015</b>	<b>2014</b>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ 4,274,744</b>	<b>\$ 1,663,716</b>

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. Also, governmental funds report proceeds from sales of capital assets while, in the statement of activities, only the gain or loss is included.

Capital Outlays	2,773,385	398,666
Gain (Loss) on Disposal of Capital Assets	-	(16,804)
Depreciation Expense	(2,363,891)	(2,159,528)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Other Financing Source - Capital Lease	(5,203,720)	(215,640)
Principal Payments - Capital Leases	71,878	-

Pension expenses on the governmental funds are measured by current year employee contributions. Pension expenditures on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

	823,133	-
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	4,065,000	4,275,000
Change in Accrued Interest Expense - General Obligation Bonds	5,671	10,583
Amortization of Bond Issuance Costs	-	(116,039)
Amortization of Deferred Loss on Refunding	-	(11,389)
Amortization of Deferred Gain on Refunding	5,427	(7,812)
Amortization of Bond Premium and Discount	52,245	58,312

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.

	31,188	748
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In the statement of activities, certain operating expenses - other post employment benefits, severance benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

	(3,639)	(555,325)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 4,531,421</b>	<b>\$ 3,324,488</b>
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See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND**

**YEAR ENDED JUNE 30, 2015**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	2015			2014	
	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 5,628,193	\$ 5,548,916	\$ 5,577,890	\$ 28,974	\$ 2,423,886
Earnings on Investments	5,000	5,000	5,435	435	3,811
Other	2,220,072	2,311,364	2,444,396	133,032	2,200,944
State Sources	37,051,617	37,836,103	38,285,542	449,439	36,859,552
Federal Sources	1,961,805	2,078,219	1,979,504	(98,715)	2,059,454
Total Revenues	<u>46,866,687</u>	<u>47,779,602</u>	<u>48,292,767</u>	<u>513,165</u>	<u>43,547,647</u>
<b>EXPENDITURES</b>					
Current:					
Administration	1,718,408	1,739,348	1,764,923	25,575	1,734,967
District Support Services	1,904,886	2,091,947	1,292,585	(799,362)	1,520,944
Regular Instruction	21,134,777	18,861,477	19,521,664	660,187	17,217,742
Vocational Education Instruction	235,865	360,279	350,824	(9,455)	332,679
Special Education Instruction	9,554,144	10,239,786	10,291,785	51,999	9,793,975
Instructional Support Services	2,703,484	3,183,482	3,801,175	617,693	2,708,604
Pupil Support Services	3,815,294	3,956,994	3,970,588	13,594	3,731,168
Sites and Buildings	3,785,178	3,776,817	4,081,241	304,424	4,039,744
Fiscal and Other Fixed Cost Programs	146,546	146,546	150,577	4,031	142,996
Capital Outlay	1,536,324	2,582,059	3,706,810	1,124,751	1,225,361
Total Expenditures	<u>46,534,906</u>	<u>46,938,735</u>	<u>48,932,172</u>	<u>1,993,437</u>	<u>42,448,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	331,781	840,867	(639,405)	(1,480,272)	1,099,467
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Lease Proceeds	-	-	1,299,520	1,299,520	215,640
Insurance Recovery Proceeds	-	-	5,516	5,516	10,890
Judgments for Districts	-	-	200	200	-
Transfers Out	-	(20,000)	(20,954)	(954)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(20,000)</u>	<u>1,284,282</u>	<u>1,304,282</u>	<u>226,530</u>
Net Change in Fund Balances	<u>\$ 331,781</u>	<u>\$ 820,867</u>	644,877	<u>\$ (175,990)</u>	1,325,997
<b>FUND BALANCE</b>					
Beginning of Year			10,845,437		9,519,440
End of Year			<u>\$ 11,490,314</u>		<u>\$ 10,845,437</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOOD SERVICE FUND**

**YEAR ENDED JUNE 30, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	2015			2014	
	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Earnings on Investments	\$ 500	\$ 500	\$ 253	\$ (247)	\$ 186
Other - Primarily Meal Sales	592,100	557,710	510,038	(47,672)	571,151
State Sources	121,400	121,000	126,997	5,997	100,779
Federal Sources	1,323,000	1,477,100	1,502,562	25,462	1,347,003
Total Revenues	<u>2,037,000</u>	<u>2,156,310</u>	<u>2,139,850</u>	<u>(16,460)</u>	<u>2,019,119</u>
<b>EXPENDITURES</b>					
Current					
Food Service	1,910,121	2,078,921	2,061,745	(17,176)	1,976,298
Capital Outlay	22,000	94,800	94,181	(619)	8,010
Total Expenditures	<u>1,932,121</u>	<u>2,173,721</u>	<u>2,155,926</u>	<u>(17,795)</u>	<u>1,984,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,879	(17,411)	(16,076)	1,335	34,811
<b>OTHER FINANCING SOURCES</b>					
Transfer in	-	20,000	20,954	954	-
Total Other Financing Sources	<u>-</u>	<u>20,000</u>	<u>20,954</u>	<u>954</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 104,879</u>	<u>\$ 2,589</u>	4,878	<u>\$ 2,289</u>	34,811
<b>FUND BALANCE</b>					
Beginning of Year			433,368		398,557
End of Year			<u>\$ 438,246</u>		<u>\$ 433,368</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2015**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	2015			Over (Under) Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 359,500	\$ 359,500	\$ 354,863	\$ (4,637)	\$ 187,811
Earnings on Investments	200	200	234	34	36
Other - Primarily Tuition and Fees	884,923	931,588	1,008,932	77,344	1,054,823
State Sources	413,220	454,493	421,521	(32,972)	556,470
Federal Sources	10,700	20,608	38,549	17,941	285,407
Total Revenues	1,668,543	1,766,389	1,824,099	57,710	2,084,547
<b>EXPENDITURES</b>					
Current					
Community Service	1,584,979	1,692,661	1,631,012	(61,649)	1,797,256
Capital Outlay	17,019	17,719	26,935	9,216	28,500
Total Expenditures	1,601,998	1,710,380	1,657,947	(52,433)	1,825,756
Excess of Revenues Over Expenditures	<u>\$ 66,545</u>	<u>\$ 56,009</u>	166,152	<u>\$ 110,143</u>	258,791
<b>FUND BALANCE</b>					
Beginning of Year			443,166		184,375
End of Year			<u>\$ 609,318</u>		<u>\$ 443,166</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015**

	<u>Private- Purpose Trust</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,500
Total Assets	<u>2,500</u>
<b>NET POSITION</b>	
Held in Trust	2,500
Total Net Position	<u><u>\$ 2,500</u></u>

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2015**

	<u>Private- Purpose Trust</u>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 500
Total Additions	<u>500</u>
<b>DEDUCTIONS</b>	
Scholarships Awarded	4,500
Total Deductions	<u>4,500</u>
Change in Net Position	(4,000)
Net Position - Beginning of Year	6,500
Net Position - End of Year	<u><u>\$ 2,500</u></u>

See accompanying Notes to Basic Financial Statements.



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 656 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

**B. Financial Reporting Entity**

Independent School District No. 656 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The Board of Education does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's Board of Education has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**C. Basic Financial Statement Presentation**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: private purpose trust fund. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations or the District, these funds are excluded from the government-wide statements.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. Descriptions of the funds included in this report are as follows:

*Major Governmental Funds*

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Capital Projects - Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

*Fiduciary Funds*

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for trust arrangements under which the income benefits individuals. This fund accounts for funds established for various annual scholarships that are awarded to students based on the requirements of the donor.

**E. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the Board of Education. All annual appropriations lapse at fiscal year end. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

Total fund expenditures in excess of the budget require approval of the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Cash and Investments**

Cash and investments consist of demand deposit accounts, certificates of deposit, deposits in the Minnesota School District Liquid Asset Fund (MSDLAF), and cash on hand.

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled cash and investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund, except for the capital projects fund.

**G. Receivables**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

**H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of supplies on hand at June 30, 2015. Purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture. The District had no food or commodity inventory on hand at June 30, 2015.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**J. Property Taxes**

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes (Continued)**

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$329,972) for the District. The shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2015, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

**L. Deferred Outflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting as this element –pension related deferred outflows of resources. The pension related deferred outflows of resources will be recognized as expenditures in subsequent years.

**M. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Accrued Employee Benefits**

**Compensated Absences Payable**

The District compensates substantially all full-time classified employees for vacation benefits at various rates based on length of service. The expenditure for vacation pay is recognized when payment is made. At June 30, 2015, unpaid vacation pay totaling \$113,824 is recorded in the financial statements.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. The District pays clerical, custodial and educational assistants for one quarter (1/4) of unused sick leave earned, above the maximum accumulation, during the contract year. The District also pays paraprofessionals for one quarter (1/4) of unused paid absence leave earned, above the maximum accumulation during the contract year. The District makes this payment during the month of July of each year.

Compensated absences payable also includes severance and early retirement incentives that are calculated based on unused sick leave days. The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2015 by employees currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method", accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future. The District's policy is to record a liability for the teachers lump sum payment for those individuals that are eligible to receive the payments.

During fiscal year 2015, total expenditures for early retirement incentive payments and convertible sick leave were \$851,751. At June 30, 2015, a liability for early retirement incentive payments and convertible sick leave totaling \$783,466 is recorded on the Statement of Net Position.

**Other Postemployment Health Care Benefits**

Under the terms of certain collectively bargained employment contracts, the District is required to pay a portion of health insurance premiums for substantially all retired employees until they reach age 65. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45.



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Deferred Inflows of Resources**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has three types of items which occur related to revenue recognition. The first occurs because property tax receivables and pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year end) under the modified accrual basis of accounting. The third type of deferred inflow of resources is a gain on bond refunding, which is being amortized over the life of the bonds.

**Q. Unearned Revenues**

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District received excess Tax Increment Financing in previous years. The State of Minnesota has the right to adjust future funding to account for this excess revenue. This excess revenue as recorded in unearned revenue in the General Fund. In addition, the District has recorded unearned revenue in the General Fund for student deposits. The District has reported unearned revenues for 2015-2016 school lunch deposits in the Food Service Fund. The District also recorded unearned revenue in the Community Service Fund in an amount equal to prepaid daycare account balances, community learning pilot grant for 2015-2016, and enrichment deposits.

**R. Fund Balance**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Director of Finance and Operations the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 9.5% of the annual expenditure budget.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation.

The District has joined together with other school districts in Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

The District continues to purchase commercial insurance coverage for all other risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**T. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**U. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**V. Change in Accounting Principle**

During fiscal year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*. As a result, the District's net position as of June 30, 2014 has been restated to reflect the recognition of the District's proportionate share of the Public Employees' Retirement Association of Minnesota General Employees' Retirement Fund's net pension liability as well as their portion of the Teacher's Retirement Association's Coordinated and Basic Plan net pension liability.

	Governmental Activities
Net Position, June 30, 2014, as Previously Reported	\$ 44,283,616
Cumulative Effect of Application of GASB 68, Net Pension Liability	(29,886,507)
Cumulative Effect of Application of GASB 71, Deferred Outflow of Resources for District Contributions Made to the Plan During Fiscal Year Ending June 30, 2014	1,704,099
Net Position, June 30, 2014, as Restated	\$ 16,101,208

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Expenditures	Excess
General Fund	\$ 46,938,735	\$ 48,932,172	\$ 1,993,437

**B. Interfund Transfers**

	Transfer In: Food Service Fund
Transfer Out: General Fund	\$ 20,954

The Food Service Fund wrote-off uncollectible student accounts during the year ended June 30, 2015; to cover these write-offs an operating transfer from the General Fund was made.

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 CASH AND INVESTMENTS**

**A. Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District’s deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Cash and Investments.” In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School District’s Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District’s deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the Board of Education.

**B. Investments**

The District may also invest idle funds as authorized by Minnesota Statutes, as follows:

- direct obligations or obligations guaranteed by the United States or its agencies
- shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- general obligations rated “A” or better; revenue obligations rated “AA” or better
- general obligations of the Minnesota Housing Finance Agency rated “A” or better
- bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories
- repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

At June 30, 2015, the District had the following investments:

	At Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MDSLAF+)	\$ 2,402,911
Minnesota School District LAF MAX Series (MSDMAX)	15,267,859
	\$ 17,670,770

The MSDLAF and MSDMAX are external investment pools and their investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

***Credit Risk***

The MSDLAF and MSDMAX pools are rated AAAM by Standard & Poor's.

**C. Balance Sheet Presentation**

Deposits and investments are presented on the combined balance sheet as follows:

Cash and Investments - Statement of Net Position	\$ 18,300,252
Cash and Investments Held by Trustee - Statement of Net Assets	1,842,200
Cash and Investments - Statement of Fiduciary Net Position	2,500
Total Cash and Investments	\$ 20,144,952

Total cash and investments at June 30, 2015 consisted of the following:

Deposits	\$ 2,471,537
Cash on Hand	2,645
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	15,267,859
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	2,402,911
	\$ 20,144,952

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,835,754	\$ 77,800	\$ -	\$ 1,913,554
Construction in Progress	89,826	480,085	(89,826)	480,085
Total Capital Assets, Not Being Depreciated	1,925,580	557,885	(89,826)	2,393,639
Capital Assets, Being Depreciated				
Land Improvements	6,519,168	399,816	-	6,918,984
Buildings and Improvements	76,576,443	561,911	-	77,138,354
Equipment	4,793,563	1,343,599	(58,462)	6,078,700
Total Capital Assets, Being Depreciated	87,889,174	2,305,326	(58,462)	90,136,038
Accumulated Depreciation for				
Land Improvements	(2,042,086)	(285,998)	-	(2,328,084)
Buildings and Improvements	(27,766,052)	(1,779,464)	-	(29,545,516)
Equipment	(3,628,458)	(298,429)	58,462	(3,868,425)
Total Accumulated Depreciation	(33,436,596)	(2,363,891)	58,462	(35,742,025)
Total Capital Assets, Being Depreciated, Net	54,452,578	(58,565)	-	54,394,013
Governmental Activities				
Capital Assets, Net	<u>\$ 56,378,158</u>	<u>\$ 499,320</u>	<u>\$ (89,826)</u>	<u>\$ 56,787,652</u>

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	
Administration	\$ 400
District Support Services	4,539
Regular Instruction	2,273,904
Vocational Education Instruction	2,768
Special Education Instruction	1,369
Instructional Support Services	343
Pupil Support Services	2,200
Sites and Buildings	37,410
Food Service	40,825
Community Service	133
Total Depreciation Expense, Governmental Activities	<u>\$ 2,363,891</u>

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
4/15/2009	3.00% - 4.125%	\$ 15,000,000	2/1/2024	\$ 1,030,000	\$ 14,685,000
6/19/2012	0.40% - 1.40%	5,500,000	12/1/2019	1,265,000	3,545,000
Total General Obligation Bonds				2,295,000	18,230,000
Bond Discounts - Net				(2,546)	(22,381)
Capital Lease Payable				481,119	1,443,282
Lease Purchase Payable				122,014	3,904,200
Net Pension Liability				-	23,638,470
Other Postemployment Benefits Payable				-	1,252,864
Compensated Absences Payable				113,824	897,290
				<u>\$ 3,009,411</u>	<u>\$ 49,343,725</u>

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire General Obligation Bonds payable are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2016	\$ 2,295,000	\$ 602,076
2017	2,335,000	549,936
2018	2,385,000	495,651
2019	1,655,000	444,636
2020	1,710,000	382,856
2021 - 2024	7,850,000	820,845
	<u>\$ 18,230,000</u>	<u>\$ 3,296,000</u>

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities**

**General Obligation Bonds**

On March 5, 2008, the District issued \$18,965,000 of General Obligation School Building Refunding Bonds, Series 2008A. The proceeds of this issue were used to refund, in advance of their stated maturities, the remaining maturities of the District's General Obligation Refunding Bonds, Series 1998. Future ad valorem tax levies were dedicated to the retirement of these bonds. These bonds were paid in full during the year end June 30, 2015.

On April 15, 2009, the District issued \$15,000,000 of General Obligation School Building Bonds, Series 2009A. The proceeds of this issue were used to finance the construction and betterment of various school sites and facilities. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On June 19, 2012, the District issued \$5,500,000 of General Obligation Refunding Bonds, Series 2012B to refund the General Obligation School Building Refunding Bonds, Series 2003A and 2005A, which were scheduled to mature in 2013 through 2020, respectively. Future ad valorem tax levies are dedicated to the retirement of these bonds.

**Lease Purchase Payable**

On June 18, 2015, the District entered into two lease-purchase agreements for \$2,062,000 and \$1,842,000. The debt was issued to help fund the construction of the new district office and adult basic education building project. The district will use General Fund levy and operating capital revenues in future years to pay for the debt payments.

Minimum annual principal and interest payments necessary to retire Lease Purchase Payable are as follows:

Year Ending June 30	Leases Purchase Payable	
	Principal	Interest
2016	\$ 122,014	\$ 71,255
2017	276,972	109,565
2018	284,986	101,552
2019	293,234	93,303
2020	301,724	84,814
2021 - 2025	1,644,903	287,786
2026 - 2030	894,218	86,865
2031	86,149	1,387
	\$ 3,904,200	\$ 836,527



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

**Capital Leases**

The District has entered into a capital lease for the purchase of iPads. The individual assets relating to the lease are under the District's capitalization threshold and therefore were not capitalized.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

Year Ending June 30,	Lease Payments
2016	\$ 510,158
2017	516,350
2018	438,280
Total Minimum Lease Payments	1,464,788
Less Amounts Representing Interest	21,506
Present Value of Net Minimum Lease Payments	\$ 1,443,282

**Compensated Absences Payable**

At June 30, 2015, compensated absences payable consists of unused vacation and severance and convertible sick leave payable to employees upon retirement. In the past, compensated absences payable has been liquidated by the General Fund, the Food Service Fund, and the Community Service Fund.

**D. Changes in Long-Term Liabilities**

	June 30, 2014			June 30, 2015
	As Restated	Additions	Retirements	2015
Bonds Payable	\$ 22,295,000	\$ -	\$ 4,065,000	\$ 18,230,000
Bond Premium	54,791	-	54,791	-
Bond Discounts	(24,927)	-	(2,546)	(22,381)
Lease Purchase Payable	-	3,904,200	-	3,904,200
Lease Purchase Obligations	215,640	1,299,520	71,878	1,443,282
Net Pension Liability	29,886,507	-	6,248,037	23,638,470
Other Postemployment Benefits Payable	947,537	1,002,395	697,068	1,252,864
Compensated Absences Payable	1,198,978	781,524	1,083,212	897,290
	\$ 54,573,526	\$ 6,987,639	\$ 12,217,440	\$ 49,343,725

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 RESTRICTED AND COMMITTED FUND BALANCES**

**Fund Equity**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

**A. Restricted for Staff Development**

In accordance with state statute, 2% of basic General Education revenue is allocated to staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

**B. Restricted for Gifted and Talented**

Restricted for gifted and talented represents general education aid resources to be expended for gifted and talented programs.

**C. Restricted for Health and Safety**

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this restriction generates specific future levy authority.

**D. Restricted for Operating Capital**

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

**E. Restricted for Teacher Development and Evaluation**

Restricted for teacher development and evaluation represents resources available for teacher development and evaluation uses.

**F. Restricted for Community Education Programs**

The fund balance restriction represents accumulated resources available to provide general community education programming.

**G. Restricted for Early Childhood and Family Education Programs**

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

**H. Restricted for School Readiness**

The fund balance restriction represents accumulated resources available to provide school readiness programming.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 RESTRICTED AND COMMITTED FUND BALANCES (CONTINUED)**

**I. Restricted for Adult Basic Education**

Represents accumulated resources available to provide services for adult basic education programs.

**J. Restricted for Building Projects - COP**

This restricted fund balance represents resources set aside from the proceeds of a certificate of participation. These resources will be to help in a building project.

**K. Restricted for Other Purposes**

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**L. Committed for Separation/Retirement Benefits**

This commitment represents resources segregated by the District for the payment of retirement benefits.

**NOTE 7 PENSION PLANS**

**A. Plan Description**

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**A. Plan Description (Continued)**

2. Teachers Retirement Fund (TRA) (Continued)

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

**B. Benefits Provided**

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. GERS Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

*Tier 1 Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$478,407. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	<u>Ending June 30, 2014</u>		<u>Ending June 30, 2015</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	10.5 %	11.0 %	11.0 %	11.5 %
Coordinated	7.0	7.0	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2015, were \$1,494,653. The District's contributions were equal to the required contributions for each year as set by state statute.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**D. Pension Costs**

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of \$5,547,747 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.1181%.

For the year ended June 30, 2015, the District recognized pension expense of \$411,838 for its proportionate share of GERF's pension expense.

At June 30, 2015, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 85,141	\$ -
Changes in Actuarial Assumptions	571,751	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,498,996
District Contributions Subsequent to the Measurement Date	478,407	-
Total	<u>\$ 1,135,299</u>	<u>\$ 1,498,996</u>

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$478,407 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ (155,785)
2017	(155,785)
2018	(155,785)
2019	(374,749)

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of \$18,090,723 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.3926% at the end of the measurement period and 0.4089% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 18,090,723
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	1,272,601

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$970,150. It also recognized \$55,515 as pension expense for the support provided by direct aid.

At June 30, 2015, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,543,629	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	5,687,541
Changes in Proportion and Differences Between Contributions Made and the District's Proportionate Share of Contributions	65,724	773,573
District Contributions Subsequent to the Measurement Date	1,494,653	-
Total	<u>\$ 3,104,006</u>	<u>\$ 6,461,114</u>

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,494,653 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ (1,247,401)
2017	(1,247,401)
2018	(1,247,401)
2019	(1,247,401)
2020	137,843

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.75% Based on Years of Service
Investment Rate of Return	7.90%	8.25%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the actuarial experience study for the period of July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.25% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	100%	

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 PENSION PLANS (CONTINUED)**

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.25% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 8,943,191	\$ 5,547,747	\$ 2,754,094
 <u>TRA Discount Rate</u>	 7.25%	 8.25%	 9.25%
District's Proportionate Share of the TRA Net Pension Liability	 \$ 29,897,774	 \$ 18,090,725	 \$ 8,247,729

**H. Pension Plan Fiduciary Net Position**

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2015, 2014, and 2013 are \$214,039, \$204,627, and \$262,146, respectively. The related employee contributions were \$522,540, \$497,090, and \$523,567, for the years ended June 30, 2015, 2014, and 2013, respectively.

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's self-insured health insurance plan. There are 487 active participants, 65 retired participants, and 7 spouses of retirees receiving payments. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to \$400 per month of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2015, the District contributed \$697,068 to the plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution	\$ 1,015,422
Interest on Net OPEB Obligation	42,639
Adjustment to Annual Required Contribution	<u>(55,666)</u>
Annual OPEB Cost (Expense)	1,002,395
Contributions Made	<u>(697,068)</u>
Increase in Net OPEB Obligation	305,327
Net OPEB Obligation - Beginning of Year	947,537
Net OPEB Obligation - End of Year	<u><u>\$ 1,252,864</u></u>

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,002,395	69.5%	\$ 1,252,864
6/30/2014	1,004,897	67.9%	947,537
6/30/2013	873,372	81.1%	625,199

**D. Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$7,722,703. The annual payroll for active employees covered by the plan in the actuarial valuation was \$19,993,402 for a ratio of UAAL to covered payroll of 38.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5%, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2015 doesn't exceed 30 years.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan that is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from December 31 to December 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District’s general creditors. Participants’ rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 11 LEASE COMMITMENTS**

**A. As Lessee**

The District has entered into various operating leases for vehicles, office equipment and buildings. Rent expense under annual operating leases for the year ending June 30, 2015 was \$798,333.

Minimum rental commitments on leases in effect at June 30, 2015 are as follows:

Year Ending June 30,	Annual Lease Payments
2016	\$ 676,009
2017	6,108
2018	4,072
Total	\$ 686,189

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 11 LEASE COMMITMENTS(CONTINUED)**

**B. As Lessor**

The District entered into an agreement with Nerstrand Elementary School to lease a 17,700 square foot building located at 205 South Second Street, Nerstrand, Minnesota. The lease is renewed on an annual basis. The District received \$157,500 of rent for this building during the year ended June 30, 2015, as per the terms of the lease agreement. In addition to the lease of the building, the District also has in place agreements with Nerstrand Elementary School to provide Food Service and custodial service.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Federal and State Programs**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**NOTE 13 JOINT POWERS AGREEMENTS**

**Wind Energy**

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the Cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a Board of Education member, and the superintendent or another district employee) from each of the participating district. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs or other obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2015.

**NOTE 14 JOINTLY GOVERNED ORGANIZATION**

The District is a member of the Rice County Family Services Collaborative (Collaborative). The Collaborative was established to provide comprehensive services to strengthen family functioning. As a result, the Collaborative members share certain costs related to social workers and split related time study revenues. The District received \$25,000 to reimburse it for certain salaries and benefits expenditures that the District may not otherwise have incurred.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**FARIBAUT PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 656  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN  
 JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 7,598,658	\$ 7,598,658	0.0%	\$ 20,773,506	36.6%
7/1/2011	-	7,998,988	7,998,988	0.0%	21,703,390	36.9%
7/1/2013	-	7,722,703	7,722,703	0.0%	19,993,402	38.6%

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
JUNE 30, 2015**

<b>Fiscal Year</b>	<u><b>2015</b></u>
Measurement Date	June 30, 2014
 <b>PERA</b>	
District's Proportion of the Net Pension Liability	0.118%
District's Proportionate Share of the Net Pension Liability	\$ 5,547,747
District's Covered-Employee Payroll	\$ 6,210,057
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	89.33%
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 78.70%
 <b>TRA</b>	
District's Proportion of the Net Pension Liability	0.393%
District's Proportionate Share of the Net Pension Liability	\$ 18,090,723
State's Proportionate Share of the Net Pension Liability	<u>1,272,601</u>
Total	\$ 19,363,324
 District's Covered-Employee Payroll	 \$ 17,921,366
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	100.95%
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 81.50%

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

**Schedule of District Contributions**

	<u>2015</u>	<u>2014</u>
<b>PERA</b>		
Contractually Required Contribution	\$ 478,407	\$ 450,622
Contributions in Relation to the Contractually Required Contribution	<u>(478,407)</u>	<u>(450,622)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 6,470,650	 \$ 6,210,057
Contributions as a Percentage of Covered Employee Payroll	7.39%	7.26%
<b>TRA</b>		
Contractually Required Contribution	\$ 1,494,653	\$ 1,259,840
Contributions in Relation to the Contractually Required Contribution	<u>(1,494,653)</u>	<u>(1,259,840)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 19,928,650	 \$ 17,921,366
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.03%

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**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

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**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures
US Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	a	10.555	1-656-000    \$    63,160
Total Non-Cash Assistance			\$    63,160
Cash Assistance:			
School Breakfast Program	a	10.553	1-656-000    375,862
National School Lunch Program - Commodities Rebate	a	10.555	1-656-000    22,178
National School Lunch Program	a	10.555	1-656-000    967,954
After School Snack	a	10.555	1-656-000    17,728
Special Milk Program	a	10.556	1-656-000    1,557
Cash in Lieu Commodities		10.558	1-656-000    6,219
Summer Food	a	10.559	1-656-000    47,904
Total Cash Assistance			<u>1,439,402</u>
Total US Department of Agriculture			<u>\$ 1,502,562</u>
US. Department of Education			
Pass-Through Minnesota Department of Education			
Cash Assistance:			
Title I, Part A - Grants to Local Education Agencies		84.010	**    679,963
Special Education - Grants to States	b	84.027	**    1,028,856
Special Education - Preschool Incentive	b	84.173	**    13,672
Special Education - Grants for Infants and Families with Disabilities		84.181	**    23,012
Title IV, Part B - 21st Century Community Learning Centers		84.287	**    17,941
Title III - English Language Acquisition Grants		84.365A	**    108,540
Title III. Part A - Immigrant Grant		84.186	**    2,547
Title II, Part A - Improving Teacher Quality		84.367	**    112,280
Total Pass-Through Minnesota Department of Education			<u>1,986,811</u>
Pass-Through Southern MN ABE Consortium			
Adult Basic Education		84.002	**    20,608
Total Pass-Through Southern MN ABE Consortium			<u>20,608</u>
Pass-Through Region 10			
Special Education - Discretionary Low Incidence	b	84.027	**    3,133
Total Region 10			<u>3,133</u>
Pass-Through South Central Cooperative			
Carl Perkins		84.048A	**    7,499
Total Pass-Through South Central Cooperative			<u>7,499</u>
Total US Department of Education - Cash Assistance			<u>2,018,051</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED			<u>\$ 3,520,613</u>

- a Child Nutrition Cluster
- b Special Education Cluster

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 656. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Independent School District No. 656  
Faribault, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Independent School District No. 656's basic financial statements, and have issued our report thereon dated November 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent School District No. 656's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 656's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 656's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

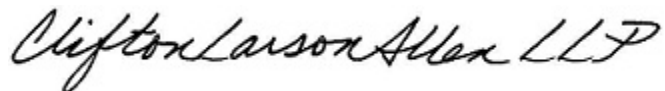
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent School District No. 656's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 13, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Independent School District No. 656  
Faribault, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Independent School District No. 656's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 656's major federal programs for the year ended June 30, 2015. Independent School District No. 656's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Independent School District No. 656's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 656's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 656's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Independent School District No. 656 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

Independent School District No. 656's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 656's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of Independent School District No. 656's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 656's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 656's internal control over compliance.

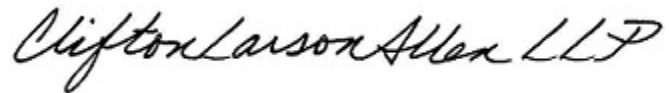
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 to be material weaknesses.

Independent School District No. 656's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 656's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Board of Education  
Independent School District No. 656

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 13, 2015

## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

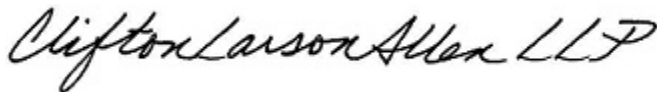
Board of Education  
Independent School District No. 656  
Faribault, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated November 13, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards. Our study included all of the listed categories

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 656 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision.*, However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 656's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 13, 2015



**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**PART I: SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_  no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes \_\_\_\_\_  none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_  no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_  yes \_\_\_\_\_ no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes \_\_\_\_\_  none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes \_\_\_\_\_  no

***Identification of Major Federal Programs***

**CFDA Number(s)**

10.553, 10.555, 10.556, and 10.559  
84.010

**Name of Federal Program or Cluster**

Child Nutrition Cluster  
Title I, Part A - Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?

\_\_\_\_\_ yes \_\_\_\_\_  no

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:**

None

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS:**

**FINDING: 2015-001**      **TITLE I, PART A, CLUSTER - CFDA # 84.010, ALL GRANT YEARS, PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION - INAPPROPRIATE TIME AND EFFORT DISTRIBUTION RECORD COMPLETION**

**Condition:**                      For two Title I employees the required personal activity reports did not contain the appropriate documentation of 100% of their time as required by OMB Circular A-87.

**Criteria:**                        OMB Circular A-87, Attachment B, paragraph 8.h.(4) requires that employees who are expected to work solely on a single Federal award or cost objective, complete semi-annual time certifications. In addition, paragraph 13d requires that employees that are not 100% Federal need to prepare a “personnel activity report” or timesheet. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports must be made.

**Questioned Costs:**            None

**Context:**                         Two out of the twelve employees tested.

**Effect:**                         The potential exists that undocumented time could be incorrectly charged to the federal program code. There was no known effect on the financial statements.

**Cause:**                         Not known.

**Recommendation:**        Personnel activity reports should be completed by all employees paid partially from one or more Federal programs. All personnel activity reports should account for 100%of the employee’s time.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will immediately implement the recommendation.

**Official Responsible for Ensuring CAP:**

Colleen Cardenuto, Director of Teaching & Learning, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

December 31, 2015.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS:**

<b>FINDING: 2015-002</b>	<b>CHILD NUTRITION CLUSTER – CFDA #10.553, 10.555, 10.556 ALL GRANT YEARS UNITED STATES DEPARTMENT OF AGRICULTURE PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION INELIGIBLE REIMBURSEMENT</b>
<b>Compliance Area:</b>	Eligibility
<b>Condition:</b>	One of forty free and reduced eligibility applications tested were misclassified to receive free or reduced meals for the 2014-15 school year.
<b>Criteria:</b>	The Department of Agriculture, Food and Nutrition Services provides income eligibility guidelines for Child Nutrition Programs.
<b>Questioned Costs:</b>	\$121
<b>Context:</b>	The weakness appears to be systematic.
<b>Effect:</b>	The District received improper reimbursement for meals served to ineligible students.
<b>Cause:</b>	Omitted or incorrect data entry in computer system.
<b>Recommendation:</b>	We recommend that the District review the data entry into the computer software.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will immediately implement the recommendation.

**Official Responsible for Ensuring CAP:**

Colleen Mertesdorf, Director of Finance and Operations and Andi Johnson, Controller are the officials responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was September 1, 2015.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE**  
None

**FARIBAULT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2014-001	Improper Time Reporting Documentation	Not Corrected	See current year Finding 2015-001

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**FARIBAUT PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 656  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2015**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 48,298,483	\$ 48,298,552	\$ (69)	Total Revenue	\$ 19	\$ 19	\$ -
Total Expenditures	\$ 48,932,172	\$ 48,932,241	\$ (69)	Total Expenditures	\$ 480,085	\$ 480,085	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	\$ 1,133,999	\$ 1,133,999	\$ -	460 Nonspendable	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	\$ 100,999	\$ 100,999	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -	409 Alternative Facility Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ (87,724)	\$ (87,724)	\$ -	413 Project Funded by COP	\$ 1,841,409	\$ 1,841,409	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	419 Encumbrances	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	464 Other Purposes	\$ 1,582,725	\$ 1,582,725	\$ -
409 Deferred Maintenance	\$ -	\$ -	\$ -	<i>Unreserved:</i>			
411 Severance	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Revenue	\$ 4,820,746	\$ 4,820,746	\$ -
424 Operating Capital	\$ 433,655	\$ 433,655	\$ -	Total Expenditures	\$ 4,786,043	\$ 4,786,043	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Restricted:</i>			
427 Disabled Accessibility	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	464 Other Purposes	\$ 1,067,228	\$ 1,067,228	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
436 State Approved Alt. Program	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -				
440 Teacher Development & Evaluation	\$ 2,628	\$ 2,628	\$ -	<b>08 TRUST</b>			
441 Basic Skills Programs	\$ -	\$ -	\$ -	Total Revenue	\$ 500	\$ 500	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -	Total Expenditures	\$ 4,500	\$ 4,500	\$ -
449 Safe Schools Levy	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
450 Prekindergarten	\$ -	\$ -	\$ -	422 Unassigned	\$ 2,500	\$ 2,500	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	<b>09 AGENCY</b>			
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -	<i>Unreserved: Should Always Be -0-</i>			
464 Other Purposes	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<i>Committed:</i>							
418 Severance - Ins. Premium	\$ 2,451,000	\$ 2,451,000	\$ -	<b>20 INTERNAL SERVICE</b>			
461 Committed	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Assigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
462 Assigned	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
<i>Unassigned:</i>				422 Unassigned	\$ -	\$ -	\$ -
422 Unassigned	\$ 7,455,757	\$ 7,455,758	\$ (1)				
<b>02 FOOD SERVICE</b>				<b>25 OPEB REVOCABLE TRUST</b>			
Total Revenue	\$ 2,139,850	\$ 2,139,848	\$ 2	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 2,155,926	\$ 2,155,924	\$ 2	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable	\$ 3,307	\$ 3,307	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<i>Restricted:</i>							
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	<b>45 OPEB IRREVOCABLE TRUST</b>			
464 Other Purposes	\$ 434,939	\$ 434,939	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
463 Unassigned	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
				422 Unassigned	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>							
Total Revenue	\$ 1,824,099	\$ 1,824,091	\$ 8	<b>47 OPEB DEBT SERVICE</b>			
Total Expenditures	\$ 1,657,947	\$ 1,657,941	\$ 6	Total Revenue	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total Expenditures	\$ -	\$ -	\$ -
460 Nonspendable	\$ 1,041	\$ 1,041	\$ -	<i>Restricted:</i>			
<i>Restricted:</i>				464 Other Purposes	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
431 Community Education	\$ 275,693	\$ 275,693	\$ -	463 Unassigned	\$ -	\$ -	\$ -
432 E.C.F.E.	\$ 44,225	\$ 44,225	\$ -				
444 School Readiness	\$ 168,802	\$ 168,802	\$ -				
447 Adult Basic Education	\$ 118,949	\$ 118,949	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ 608	\$ 607	\$ 1				
<i>Unassigned:</i>							
463 Unassigned	\$ -	\$ -	\$ -				

